




Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 365 (as introduced 3-21-07)

Sponsor: Senator Jud Gilbert, II

Committee: Transportation

Date Completed: 6-11-07

CONTENT

The bill would amend the Insurance Code to exempt air carrier insurance from a tax and fee on insurance offered through unauthorized insurers.

Under the Code, any unauthorized insurer transacting insurance in Michigan is subject to a tax of 2% of premiums written in the State, and to an additional regulatory fee of 0.5% on those premiums.

Under the bill, the tax and fee would not apply to premiums written for air carrier insurance that generally was unavailable through authorized insurers offering air carrier insurance to air carriers operating interstate or intrastate.

Currently, the tax is considered delinquent if not paid within 30 days after a copy of the computation of the tax is delivered to the insurer. Under the bill, the additional regulatory fee also would be delinquent under those circumstances.

As used in the bill, "air carrier" would mean an air carrier to which 14 CFR Part 121 applies.

(That Federal regulation applies to the domestic, flag, and supplemental operations of each person who holds or is required to hold an air carrier certificate or operating certificate under 14 CFR Part 119; each person employed or used by a certificate holder conducting operations under Part 121; each person who applies for provisional approval of an Advanced Qualification Program curriculum or a portion of that curriculum under the part; and certain sightseeing flights conducted with airplanes with 30 passenger seats or fewer and a maximum payload capacity of 7,500 pounds or less, that begin and end at the same airport.

Part 119 applies to each person operating or intending to operate civil aircraft as an air carrier or commercial operator, or both, in air commerce, or in operations of U.S.-registered civil airplanes with 20 passenger seats or more, or a maximum payload capacity of 6,000 pounds or more.)

MCL 500.451

Legislative Analyst: Curtis Walker

FISCAL IMPACT

Based on information from aviation businesses affected by this bill, it is estimated the bill would reduce revenue by less than \$0.5 million annually. Of this amount, approximately 80% would be lost insurance tax revenue, which would reduce General Fund/General Purpose revenue, and 20% would be lost insurance regulatory fees. The bill would not have any direct impact on local governments.

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.